

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2170 - SB 2022

March 4, 2020

SUMMARY OF ORIGINAL BILL: Enacts the Annual Coverage Assessment Act of 2020, which establishes an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$568,600,800/FY20-21/

Maintenance Coverage Trust Fund

Increase State Expenditures - \$568,600,800/FY20-21/

Maintenance Coverage Trust Fund

Increase Federal Expenditures - \$1,097,519,300/FY20-21/

Maintenance Coverage Trust Fund

Revenue recognition in the amount of \$568,600,800 is included in the Governor's proposed FY20-21 budget (page A-34). Corresponding non-recurring appropriations in the amount of \$1,666,120,100 (\$568,600,800 in state funds and \$1,097,519,300 in federal matching funds) are also included.

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue - \$1,666,120,100/FY20-21

Increase Business Expenditures - \$568,600,800/FY20-21

Jobs Impact – Not Significant

SUMMARY OF AMENDMENT (014926): Deletes all language after the enacting clause. Enacts the *Annual Coverage Assessment Act of 2020*, which establishes an annual coverage assessment on hospitals of 4.87 percent of a covered hospital's annual coverage assessment base. Adds a new subdivision to Tenn. Code Ann. § 71-5-2005(d)(1) that designates \$50,000 of the funds from the *Assessment* to fund the cost of a pilot program with the TennCare managed care organizations to improve care coordination for TennCare enrollees and reduce administrative burden.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$602,636,800/FY20-21/

Maintenance Coverage Trust Fund

Increase State Expenditures - \$602,636,800/FY20-21/

Maintenance Coverage Trust Fund

Increase Federal Expenditures - \$1,163,231,200/FY20-21/

Maintenance Coverage Trust Fund

Revenue recognition in the amount of \$568,600,800 is included in the Governor's proposed FY20-21 budget (page A-34). Corresponding non-recurring appropriations in the amount of \$1,666,120,100 (\$568,600,800 in state funds and \$1,097,519,300 in federal matching funds) are also included.

Assumptions for the bill as amended:

- Based on information provided by the Division of TennCare (Division), the 4.87 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$602,636,813.
- It is estimated \$602,361,813 (\$602,636,813 - \$275,000) will be expended at a state rate of approximately 34.122 percent and will receive federal matching funds at a rate estimated to be 65.878 percent. The resulting increase in federal funds will be approximately \$1,162,956,202 [$(\$602,361,813 / 34.122\%) \times 65.878\%$].
- It is estimated \$275,000 will be expended at a state rate of approximately 50.0 percent and will receive federal matching funds at a rate estimated to be 50.0 percent. The resulting increase in federal funds will be approximately \$275,000 [$(\$275,000 / 50.0\%) \times 50.0\%$].
- The total increase in federal funds will be \$1,163,231,202 ($\$1,162,956,202 + \$275,000$).
- The total increase to the MCTF is approximately \$1,765,868,015 ($\$602,636,813$ state + $\$1,163,231,202$ federal).

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue - \$1,765,868,000/FY20-21

Increase Business Expenditures - \$602,636,800/FY20-21

Jobs Impact – Not Significant

Assumptions for the bill as amended:

- Hospital providers will incur an increase in federal revenue in FY20-21 to cover costs of services provided.
- Hospital providers will incur an increase in expenditures in FY20-21 for funding the state portion of the Act.
- The proposed legislation will not increase the number of hospital providers. It merely deals with the way providers are reimbursed; therefore, any impact to jobs in Tennessee is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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